

USDA Foreign Agricultural Service

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China's Pork Imports to Increase in 2016

Approved By:

Chris Frederick

Prepared By:

Wang Li

Report Highlights:

China leads the world in pork production and consumption and is also a major destination for pork exports. Import demand is supported by Chinese pork processors utilizing lower cost imports to produce products for the domestic market. To reflect the increased imports, post adjusted 2015 imports upwards to 1 million tons and further increased the 2016 forecast to 1.3 million tons. Post increased the 2016 beef consumption forecast to 7.5 million tons, up from the previous forecast of 7.4 million tons, and revised the 2016 beef import forecast upwards to 750,000 tons to reflect strong consumer demand.

Commodities:

Meat, Beef and Veal

Meat, Swine

CATTLE**Production****Calf crop will slightly increase in 2016**

Post forecasts 2016 calf crop above 49 million, slightly above 2015, based on continued strong consumer demand for beef. Continuing strong demand has resulted in calf crop steadily increasing since 2014.

Import**Live cattle imports down sharply in 2015 but will slightly increase in 2016**

Post has adjusted 2015 live cattle imports to 125,000, a decline of more than 40 percent from 2014 estimates, based on tight global supplies, particularly from China's main suppliers, Australia, New Zealand and Uruguay. Imports are forecast to recover to 150,000 head in 2016. The rise in imports is aided by the inclusion of Chile as a new and lower cost supply source for China in 2015.

BEEF**Production up slightly in 2016**

2016 beef production is forecast at 6.785 million tons, based on stable domestic prices that continue to attract investment into the beef production sector. Despite increased investment and consolidation in beef sector, supplies of beef cattle for slaughter remain tight and dairy cattle are culled to balance the demand. Production cost inefficiencies such as high labor and feed costs are just a few of the constraints that continue to plague the industry.

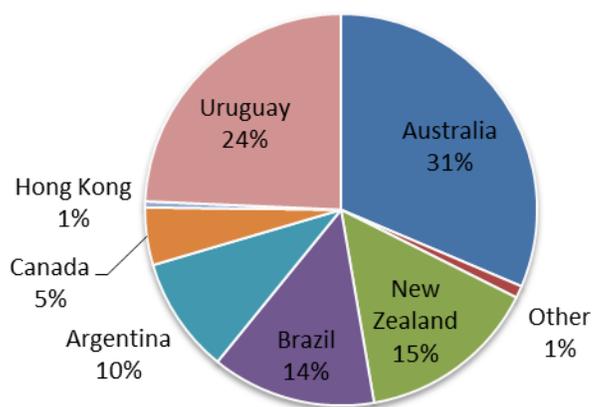
Consumption**Demand to remain firm in 2016**

Post increased the 2016 consumption forecast to 7.5 million tons, up from previous post forecast of 7.4 million tons. Beef consumption is supported by increasing consumer preference for beef and increasing number of consumers willing to spend money on beef.

Imports

Post revised 2015 beef imports upwards to 663,000 tons and increased the 2016 forecast to 750,000 tons because domestic production will be unable to satisfy increasing domestic demand. Australia will remain the main supplier; a position bolstered by its free trade agreement entered into force at the end of 2015. China’s tariffs on Australian beef products will be eliminated over the next nine years. Australia’s exports will be constrained by its tight supply and hence its market share will shrink in 2016. Imports from South American countries are forecast to increase, in part because China has lifted its 2012 BSE-related ban on Brazilian beef.

**Import Beef Market Share
(Carcass Weight)**



In general, imported beef is RMB 10-20 (\$1.67 to \$3.30) per kilograms cheaper or approximately 15 to 30 percent cheaper than domestic beef.

Key Players Comparison Summary

Export Country	Current situation
Australia	Exports mainly grass fed with small quantities of grain fed. Although prices are rising, generally cheaper than North American beef
Uruguay	Value for money choice in the market
New Zealand	Mainly grass fed, generally cheaper than Australian beef
Argentina	Mid-priced compared to other imports. Exports mainly grass fed beef
Canada	Price is relatively expensive and export quantity is limited
Brazil	Will become major beef supplier in 2016 after China lifted its 2012 BSE-related ban in 2015

Note: The OIE (World Organization for Animal Health) has recognized that the United States’ BSE-related surveillance and mitigation measures are effective and appropriate, for both food safety and animal health. In 2014 the OIE placed the United States in the same risk category as China. Unfortunately, China’s ban on United States’ beef, beef products, and live cattle imposed in 2003 due to the detection of a BSE-positive animals remains in force.

Cattle PS&D Table

Animal Numbers, Cattle Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	103000	103000	100450	100450	100250	100275
Dairy Cows Beg. Stocks	15000	15000	15500	15500	15600	15600
Beef Cows Beg. Stocks	50500	50500	50700	50700	50800	50800
Production (Calf Crop)	47900	47900	49000	49000	49050	49050
Total Imports	230	230	100	125	200	150
Total Supply	151130	151130	149550	149575	149500	149475
Total Exports	20	20	20	20	20	20
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	49100	49100	48000	48000	48200	48175
Total Slaughter	49100	49100	48000	48000	48200	48175
Loss	1560	1560	1280	1280	1280	1280
Ending Inventories	100450	100450	100250	100275	100000	100000
Total Distribution	151130	151130	149550	149575	149500	149475

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Note: Estimates included in this report are not USDA's official figures, which can be found at <http://www.fas.usda.gov/psdonlineonline>

Beef PS&D Table

Meat, Beef and Veal Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	49100	49100	48000	48000	48200	48175
Beginning Stocks	60	60	40	40	20	20
Production	6890	6890	6750	6700	6785	6785
Total Imports	417	417	600	663	700	750
Total Supply	7367	7367	7390	7403	7505	7555
Total Exports	30	30	20	24	25	25
Human Dom. Consumption	7297	7297	7350	7359	7450	7500
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7297	7297	7350	7359	7450	7500
Ending Stocks	40	40	20	20	30	30
Total Distribution	7367	7367	7390	7403	7505	7555
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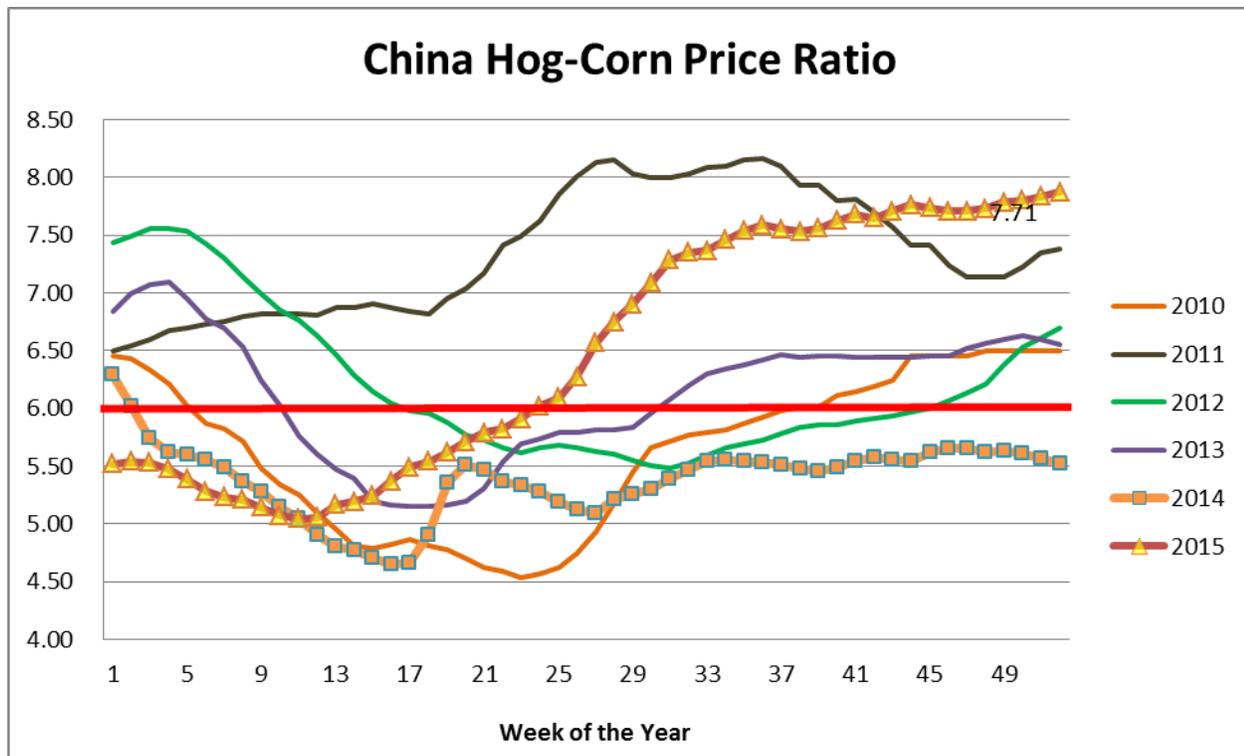
SWINE

Production

Post adjusted the 2015 swine herd to 451.1 million head and revised the 2016 swine herd down 1.4 percent to 445 million head, due to decreasing numbers of sows. Sow inventory continued its downward trend, according to official statistics. Although the breeding herd is shrinking, the number of piglets per sow per year is increasing as a result of better genetics that help offset the declining sow numbers.

In 2016, swine production in coastal provinces, where land is generally more expensive, will be under more pressure to close, especially as local governments seek more profitable uses for the land. Rigorous enforcement of environmental laws in these areas is one method employed to encourage these operations to close or move to other regions.

Government support for swine production changed in November 2015. The hog to corn ratio breakeven indicator decreased from 6:1 to 5.5:1, with the aim to reduce government intervention and create a market oriented system. As noted in the below chart, the hog price ratio has been beyond the breakeven point since June, 2015. In order to show price trends for 2015, the chart still uses 6:1 as the breakeven point.



PORK

Production

Post lowered 2015 production to 54.87 million tons to reflect larger than expected reduction of sows. Post further revises downward the 2016 production by 2.5 percent to 53.5 million tons. Although feed prices are expected to decline in 2016, driven by anticipated drop in corn prices, many swine operators (especially smaller ones) do not have access to capital to expand their herds to take advantage of the lower feed costs and high pork prices.

Consumption

Post adjusted 2015 consumption downward to 55.7 million tons and lowered the 2016 consumption 54.6 million tons based on continued high prices. Overall pork consumption is driven by rising population growth. Although pork consumption is in relative decline vis a vis other protein sources such as poultry and fish, it will remain the traditional meat protein in the Chinese diet for the foreseeable future.

Imports

Post adjusted 2015 imports upwards to 1 million tons and further increased the 2016 import forecast to 1.3 million tons. Imports from European Union countries account for 80 percent of the market share. Imports from the United States are constrained by China's zero tolerance policy for ractopamine, a feed additive that promotes lean muscle growth in swine. However, toward the end of 2015, China relisted 16 establishments from the United States that participate in ractopamine free program. The relisted establishments are now eligible to export to China.

Imported meat mainly goes to the food processing industry. For example, Shineway, a major Chinese meat processor, established a meat processing factory in Zhengzhou at the end of 2015. This factory will use imported meat to process into American style bacon, ham and sausage to sell in the domestic market. Processors of imported meat can also benefit from the recent establishment of inland ports in the city of Luohe (located in Henan province) and Chongqing city (located in Chongqing province). These are the first two inland ports eligible to import meat directly. In addition to providing a more direct access to possessing facilities located in China's interior, the ports are less costly compared with their coastal peers.

Exports

Post revised its 2015 export estimate upward to 231,000 tons and adjusted the 2016 forecast to 230,000 tons. Relatively higher pork prices will offset the depreciation effect of RMB and thus makes Chinese pork more expensive than competing countries. China mainly exports to Hong Kong and Japan.

Changes to China's Corn Policy

China announced changes to its corn policy that will bring some relief to its livestock industry that has long suffered from high feed costs. Anticipation for lower corn prices was buoyed by an announcement on March 28, 2016, by the China's National Development and Reform Commission that the temporary corn reserve purchase policy in northeastern provinces and Inner Mongolia would be replaced by a new mechanism "market acquisition" and "subsidy," intended to reduce government-held stocks. The government did not disclose any details on how the "market acquisition" purchases would operate after the cancellation of the floor price in these regions.

The announcement had an immediate impact on corn futures when on March 29, 2016 the new crop future price "CORN-1701" plunged to RMB 1,425 per ton (\$ 5.5 per bushel) from RMB 1,590 (\$6.21 per bushel) in the Dalian Commodity Exchange market. Unspecified new subsidies will be created to help support farmers. Despite the possibility of lower feed costs, the Chinese livestock industry still faces numerous hurdles such as stringent environmental regulations and lack of capital investment in the sector.

Swine PS&D Table

Animal Numbers, Swine Market Begin Year China	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	474113	474113	465830	465830	420200	451130
Sow Beginning Stocks	50000	50000	44750	47000	45500	45000
Production (Pig Crop)	729927	729927	667000	696600	705000	680000
Total Imports	9	7	2	4	2	5
Total Supply	1204049	1204047	1132832	1162434	1125202	1131135
Total Exports	1737	1750	1700	1696	1600	1500
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	735100	735100	710000	708250	702700	683500
Total Slaughter	735100	735100	710000	708250	702700	683500
Loss	1382	1367	932	1358	902	1135
Ending Inventories	465830	465830	420200	451130	420000	445000
Total Distribution	1204049	1204047	1132832	1162434	1125202	1131135
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Note: Estimates included in this report are not USDA's official figures, which can be found at <http://www.fas.usda.gov/psdonlineonline>

Pork PS&D Table

Meat, Swine Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	735100	735100	710000	708250	702700	683500
Beginning Stocks	350	350	375	0	145	0
Production	56710	56710	56375	54870	56500	53500
Total Imports	761	761	845	1029	850	1300
Total Supply	57821	57821	57595	56274	57495	54418
Total Exports	277	276	250	231	250	230
Human Dom. Consumption	57169	57170	57200	55668	57140	54570
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	57169	57170	57200	55900	57140	54188
Ending Stocks	375	375	145	143	105	0
Total Distribution	57821	57821	57595	56274	57495	54418

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Note: Estimates included in this report are not USDA's official figures, which can be found at <http://www.fas.usda.gov/psdonlineonline>

China National Retail Beef Prices on Average, 2011-2015

China National Retail Beef Prices on Average, 2011-2015						
(RMB /KG)	2011	2012	2013	2014	2015	% Change 2014 /15
January	35.72	41.38	55.26	63.87	63.99	0.2%
February	36.41	42.03	57.89	64.39	64.75	0.6%
March	35.78	42.00	57.27	63.32	63.97	1.0%
April	35.59	42.26	56.99	62.59	63.02	0.7%
May	35.63	42.79	57.48	62.57	62.61	0.1%
June	36.19	43.68	58.09	62.56	62.44	-0.2%
July	36.91	44.34	58.56	62.64	62.44	-0.3%
August	37.55	45.34	59.17	62.94	62.78	-0.3%
September	38.29	46.87	60.07	63.35	63.02	-0.5%
October	38.78	48.50	60.78	63.56	63.20	-0.6%
November	39.15	50.23	61.56	63.76	63.29	-0.7%
December	39.78	53.29	62.63	63.97	63.46	-0.8%
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						

China Live Hog Prices on Average, 2011-2015

China Live Hog Prices on Average, 2011-2015						
(RMB /KG)	2011	2012	2013	2014	2015	% Change 2014 /15
January	13.	17.	17.	14.	13.	-

	88	65	04	46	38	7.5%
February	14. 35	17. 10	16. 09	13. 11	12. 71	- 3.1%
March	14. 78	15. 83	14. 07	12. 05	12. 27	1.8%
April	15. 05	14. 80	12. 80	11. 12	12. 91	16.1 %
May	15. 53	14. 25	12. 48	12. 79	13. 92	8.8%
June	17. 54	14. 05	14. 10	13. 06	14. 87	13.9 %
July	18. 98	14. 00	14. 61	13. 34	16. 86	26.4 %
August	19. 33	14. 28	15. 70	14. 56	18. 15	24.7 %
September	19. 68	14. 89	16. 04	14. 88	17. 86	20.0 %
October	18. 93	14. 85	15. 86	14. 42	17. 10	18.6 %
November	17. 35	14. 83	15. 77	14. 09	16. 45	16.7 %
December	17. 15	15. 83	15. 92	13. 81	16. 71	21.0 %
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						

China National Retail Pork Prices on Average, 2011-2015

China National Retail Pork Prices on Average, 2011-2015						
(RMB /KG)	20 11	20 12	20 13	20 14	20 15	% Chan ge 2014 /15
January	22. 17	27. 83	26. 43	24. 37	22. 37	- 8.2%
February	22. 97	27. 36	26. 32	22. 98	22. 02	- 4.2%
March	23. 09	25. 79	23. 96	21. 49	21. 44	- 0.2%
April	23. 39	24. 36	22. 03	19. 70	21. 54	9.3%
May	23. 97	23. 31	21. 48	20. 86	22. 33	7.0%
June	26. 71	22. 78	22. 81	21. 69	23. 30	7.4%
July	29. 31	22. 61	23. 43	21. 91	25. 81	17.8 %
August	29. 88	22. 94	24. 72	23. 23	28. 06	20.8 %
September	30. 35	23. 80	25. 39	23. 90	28. 27	18.3 %

October	29. 78	23. 92	25. 24	23. 60	27. 54	16.7 %
November	27. 94	23. 76	25. 07	23. 17	26. 69	15.2 %
December	27. 17	24. 82	25. 22	22. 88	26. 76	17.0 %
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						

China Piglet Prices on Average, 2011-2015

China Piglet Prices on Average, 2011-2015 (Year to Date)						
(RMB /KG)	20 11	20 12	20 13	20 14	20 15	% Chan ge 2014 /15
January	18. 65	30. 21	27. 41	24. 36	19. 29	- 20.8 %
February	19. 46	31. 50	27. 79	23. 22	19. 21	- 17.3 %
March	22. 81	32. 66	26. 90	22. 76	20. 09	- 11.7 %
April	24. 99	32. 24	25. 26	21. 84	23. 07	5.6%
May	26. 71	31. 56	24. 89	22. 99	25. 75	12.0 %
June	31. 11	30. 55	27. 09	23. 79	27. 78	16.8 %
July	35. 26	29. 69	28. 44	23. 55	31. 13	32.2 %
August	36. 28	28. 74	29. 71	24. 29	34. 33	41.3 %
September	37. 15	28. 82	29. 87	24. 53	34. 16	39.3 %
October	35. 84	27. 72	28. 30	23. 20	31. 99	37.9 %
November	31. 40	25. 86	26. 43	21. 38	29. 73	39.1 %
December	29. 43	26. 06	25. 72	20. 14	29. 62	47.1 %
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						